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Chile

Livestock and Products

Pork Annual

2006

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Report Highlights:

As a result of a strong export demand the largest Chilean pork producers are expanding production by increasing the number of sows. Production is expected to expand an estimated 14 percent in 2006 and another 20 percent in 2007. Imports also are expected to grow, as exports of pork are likely to outgrow production expansions.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Santiago [CI1]
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Executive Summary

Chile's pork industry has based its development on the geographic isolation that has been fundamental to keep an animal disease free environment. Economic stability, along with an open market strategy, has encouraged investments that have had a positive effect on the quantity and quality of production. There is a strong focus on controlling the production process to meet buyer specifications. Pork production has grown extraordinarily during the last decade, at a rate of slightly less than 9 percent yearly. This production expansion is mainly due to increases in efficiency and the transfer of the low grain prices (the main input in swine production) to the consumer, stimulating pork meat consumption.

Production General

Chile's economic stability and expansion has spurred a continuous increase in meat consumption over the last decade. An average annual GDP growth rate of over 6 percent during the last 18 years and per capita income that has increased three times has positioned Chile as one of the fastest growing economies in the western hemisphere. As a result meat consumption and production has expanded significantly.

The most impressive growth has occurred in poultry. Beef consumption also has increased but production has not kept pace with rising utilization. Consequently, Chile has become a significant beef importer. The MERCOSUR member countries currently are the main suppliers of beef in Chile.

Pork production and consumption also has been increasing steadily for the last decade. Per capita consumption has increased from 12 Kg in 1995 to 19.3 Kg in 2005. Exports also have grown since 1995. The latest statistics show that Chile possesses a total population of 2.3 million pigs up from 1.5 million in 1995.

Pork

Production

Chile's pork production has expanded tremendously during the last two decades, from 66 thousand metric tons in 1985 to 410 thousand metric tons in 2005. Its production expansion and efficiency is a result of a privileged sanitary environment with favorable climatic conditions.

TABLE - Pork Meat Production and Trade (Metric Tons)				
	Production (CWE)	Exports (PWE)	Imports (PWE)	Per Capita Consumption (Kg/ person)
1990	123,170	1,646	0	
1995	172,410	2,755	979	12.1
2000	261,477	12,994	1,854	16.5
2001	303,006	24,391	296	18.1
2002	350,721	45,291	584	19.6
2003	365,343	61,473	187	19.3
2004	372,845	78,794	751	18.5
2005	410,664	97,749	880	19.3
Source: Central Bank, Ministry of Agriculture (ODEPA)				

In Chile, the pork industry is very efficient, highly concentrated and vertically integrated. The Pork Producers Association only has 40 members out of 140 producers, but these members produce 92% of the total domestic production. Almost 75 percent of Chile's pork production is concentrated among 5 large pork packers, of which Agrosuper accounts for 65 percent of total production, followed by Friosa at 15 percent and Valledor accounting for 8 percent. The largest five producers, members of the Association, are vertically integrated. Vertical integration has enabled producers to maintain a strict level of product traceability throughout the process and ensuring product safety, quality and reliability from the production site to the final consumer. Large investments to incorporate state-of-the-art technology that strengthen sanitary and production efficiency levels, as well as an aggressive campaign to expand export markets through the implementation of free trade agreements, are the main factors that explain the Chilean pork industry's success. Only an estimated 3 percent of total pork production comes from the so-called non-industrial operations.

Close to 97 percent of the pork producers are located in two Regions, Region VI (Rancagua) with almost 68 percent of total production and the Metropolitan Region (Santiago) where 29 percent is produced. Agrosuper's main operation is concentrated in Region VI with 75% of the total number of pigs.

Industry expects pork production to increase by 14 percent in 2006, as domestic and export demand are still expanding. Industry sources believe that export demand will continue to grow, as demand for pork and pork products in Asia have been growing as a result of avian influenza. Increases in production in Chile will be due to an increase in the number of sows maintained by the largest operations. As a result of increased economies of scale, production costs are expected to fall, which will allow these producers to export part of this production expansion. Additionally, since they are integrated vertically, these companies can transfer their cost efficiencies into the price of the final product, thus stimulating consumption of certain cuts by offering especially competitive prices.

A significant increase in the number of sows is expected in the next 5 years as the main producers are going through a significant increase in their operations. From the present 235 thousand sows, an industry official has indicated that they expect to have an estimated 491,000 sows in production by the year 2010. As a result pork meat production is expected to increase over 100 percent by the year 2010. An estimated 858 thousand metric tons of pork meat production is expected in 2010.

Consumption

Domestic pork consumption has expanded significantly in the last 20 years. Per capita consumption grew from 6.1 Kg in 1986 to 19.3 Kg in 2005. Additionally its share of total meat consumption in Chile grew from 21 percent in 1986 to 26 percent in 2005. Leaner pork meat, an extensive and aggressive generic marketing campaign, lower prices and increased disposable income are many of the reasons for the significant increase in domestic consumption during the last 20 years. The industry expects domestic pork consumption to reach 22 kilos per capita in year 2010.

Trade

Exports

Chilean pork exports have grown significantly during the last decade, from 2,755 MT in 1995 to over 127,000 MT in 2005, an average annual increase of over 40 percent. The main destinations for Chilean pork are Japan, South Korea, Mexico and EU member countries.

Industry officials indicate that trade agreements and the higher sanitary conditions for the pork production are Chile's main comparative advantage in gaining market access. Chile is free of the main diseases that affect pig production and the strict regulatory controls and sanitary restrictions carried out by the Agricultural and Livestock Service (SAG) throughout the production chain, provide a national sanitary framework that prevents the introduction of diseases, which has allowed Chile to access many different markets.

Until recently the Pork Industry's main objective was to satisfy domestic demand. Realizing the good quality of their product and supported by Chile's open market and export promotion policies, the industry has turned its attention to the export markets.

TABLE – Export Projection, volume and value		
	Pork Meat	
Year	Volume (M.T.)	Value (Thous. US\$)
2005	128,800	322,000
2006	173,880	434,700
2007	191,268	447,741
2008	208,482	465,651
2009	229,330	484,277
2010	250,000	505,000
Source: Pork Producers Association		

Trade Agreements

Chile's agreement with Mexico provides for a duty free quota of 300,000 MT.

In the agreement with the EU, Chile has a duty free quota of 3,500 MT that increases 10 percent yearly until 2014 when all products can enter duty free.

In the agreement With South Korea there is a 10-year duty reduction for:

- In 2005 fresh or refrigerated carcasses and half carcasses, hams and forehands (chicks) and cuts (bone-in) pay a 20% duty. However, these products will enter duty free in 2014.
- Frozen boneless hams, shoulders and cuts must pay a 24 percent duty in 2005. But they will enter duty free by CY2014.
- Frozen Carcasses and half Carcasses pay a 30 percent duty with no duty reduction scheduled.

In a recently signed agreement with China, which should come into effect early 2007, most pork meat that presently pays duties ranging from 12 to 20 percent will reduce duties to zero in 2 to 10 years.

Imports

Industry sources reported that pork imports would increase in the coming years, as domestic and export demand outstrips production. The opening of the US market for Chilean pork is expected to contribute to increase Chilean exports. This is expected to

create a deficit for the Chilean sausage industry, which is not vertically integrated, i.e. most of them do not produce swine and/or own a slaughterhouse. The sausage industry needs a constant supply of pork imports. As a result of increased c prices during the last 4 years for domestic input, the processing industry is increasingly turning towards imports to assure a constant supply. Currently, only certain cuts are imported (boneless and bellies), as these products are destined for the processing industry (sausage). Canada has been the main supplier of pork for the sausage industry. But new market access for US pork products is expected to replace some Canadian imports. Like Canadian product, US product can now enter duty free.

TABLE – Domestic Pork and Product Prices			
	Producer Price for live Animals (US\$/ Kg)	Pork meat in carcasses (US\$/Kg)	Pork Chop at consumer level (US\$/Kg)
1999	0.80	1.42	2.91
2000	0.76	1.35	3.01
2001	0.68	1.29	2.65
2002	0.68	1.34	2.49
2003	0.77	1.52	2.54
2004	0.92	1.69	3.18
2005	0.90	1.76	3.80
Source: National Institute of Statistics, ODEPA			

An industry source indicated that imports would be much larger if price were the only factor to consider in an import transaction. However since the export market is so important, imported ingredients must comply with highest sanitary conditions. Pork product imports can only come from countries that have similar or better sanitary conditions than Chile.

Imports from MERCOSUR (Brazil and others), the EU, Canada and United States do not pay duty as a result of the existing trade agreements. Imports from all other origins pay a 6 percent duty.

PSD Table							
Country	Chile						
Commodity	Animal Numbers, Swine				(1000 HEAD)		
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
TOTAL Beginning Stocks	2314	2314	2476	3391	2475	3397	(1000 HEAD)
Sow Beginning Stocks	305	235	310	275	0	332	(1000 HEAD)
Production (Pig Crop)	4535	5405	4800	6325	0	7636	(1000 HEAD)
Intra EC Imports	0	0	0	0	0	0	(1000 HEAD)
Total Imports	0	0	0	0	0	0	(1000 HEAD)
TOTAL Imports	0	0	0	0	0	0	(1000 HEAD)
TOTAL SUPPLY	6849	7719	7276	9716	2475	11033	(1000 HEAD)
Intra EC Exports	0	0	0	0	0	0	(1000 HEAD)
Total Exports	0	0	0	0	0	0	(1000 HEAD)
TOTAL Exports	0	0	0	0	0	0	(1000 HEAD)
Sow Slaughter	1	1	1	1	0	1	(1000 HEAD)
OTHER SLAUGHTER	4372	4327	4800	6318	0	7634	(1000 HEAD)
Total Slaughter	4373	4328	4801	6319	0	7635	(1000 HEAD)
Loss	0	0	0	0	0	0	(1000 HEAD)
Ending Inventories	2476	3391	2475	3397	0	3398	(1000 HEAD)
TOTAL DISTRIBUTION	6849	7719	7276	9716	0	11033	(1000 HEAD)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 HEAD)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 HEAD)

PSD Table							
Country	Chile						
Commodity	Meat, Swine				(1000 MT CWE)(1000 HEAD)		
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
Slaughter (Reference)	4373	4328	4801	6319	0	7636	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	411	410	455	481	0	580	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	1	1	2	1	0	1	(1000 MT CWE)
TOTAL Imports	1	1	2	1	0	1	(1000 MT CWE)
TOTAL SUPPLY	412	411	457	482	0	581	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	129	127	174	195	0	284	(1000 MT CWE)
TOTAL Exports	129	127	174	195	0	284	(1000 MT CWE)
Human Dom. Consumption	283	284	283	287	0	297	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	283	284	283	287	0	297	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	412	411	457	482	0	581	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

Export Trade Matrix			
Country	Chile		
Commodity	Meat, Swine		
Time Period	Jan-Dec	Units:	M.T.
Exports for:	2005		2006
U.S.	0	U.S.	117
Others		Others	
Japan	69227	Japan	31936
So. Korea	32809	So. Korea	12459
Mexico	7943	Mexico	2754
Argentina	3731	Cuba	1929
U.K.	2444	Argentina	1858
Cuba	2334	Italy	1623
Italy	2058	Canada	921
Germany	1724	Germany	843
Canada	1146	Ecuador	612
Ecuador	1029	Colombia	612
Total for Others	124445		55547
Others not Listed	2627		2764
Grand Total	127072		58428

Note: Trade data for CY2006 covers the months of January through June only.